

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 EURE-00 SSO-00 NSCE-00 INRE-00
USIE-00 AGR-05 AID-05 CEA-01 CIAE-00 COME-00
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O R 011325Z JUN 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 3407
INFO USMISSION USUN
AMEMBASSY BRUSSELS
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USOECD

USEEC

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E.O. 11652: N/A
TAGS: OECD
SUBJECT: OECD MINISTERIAL: DRAFT SECRETARIAT NOTE ON
RELATIONS WITH DEVELOPING COUNTRIES

1. THE SECRETARIAT HAS CIRCULATED A DRAFT NOTE ON
NORTH/SOUTH RELATIONS ("INTERNATIONAL ECONOMIC RELA-
TIONS WITH SPECIAL REFERENCE TO THE DEVELOPING
COUNTRIES"). THE SECRETARIAT INTENDS A FIRST DIS-
CUSSION ON THIS NOTE TO BE HELD AT A HEADS OF DEL
MEETING THE AFTERNOON OF JUNE 3 WITH A VIEW TO
DISTRIBUTING A FINAL TEXT FOR THE OECD MINISTERIAL
MEETING OF JUNE 23-24. SECRETARIAT NOTES THAT THIS
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DRAFT WAS PREPARED BEFORE THE CONCLUSION OF CIEC AND
WILL HAVE TO BE REVIEWED IN THE LIGHT OF CIEC'S FINAL
OUTCOME. THIS BEING TRUE FURTHER DISCUSSIONS ON THE
TEXT WILL UNDOUBTEDLY BE REQUIRED NEXT WEEK, BUT IF
WASHINGTON HAS PRELIMINARY COMMENTS WE COULD MAKE AT
THE JUNE 3 HEADS OF DEL MEETING WE WOULD BE GRATEFUL
FOR THEM BY THE OPENING OF BUSINESS ON THAT DATE.

WE ARE AIR MAILING FULL TEXT OF NOTE (C(77)110 31ST MAY, 1977) TO RPE ALBRECHT AND WILL ALSO SEEK TO HAVE COPY HAND CARRIED.

2. NOTE SEEKS TO PLACE NORTH/SOUTH ISSUES IN LONG TERM CONTEXT REFERRING TO SUCH OVERALL TRENDS AS CONTINUING ACCUMULATION OF OPEC CURRENT ACCOUNT SURPLUSES, TO THE EMERGENCE OF SOME LDCS INTO "MIDDLE INCOME STATUS", AND TO THE RELATIVE INTRACTABILITY OF WIDESPREAD POVERTY. NOTE FOCUSSES ESPECIALLY ON TWO GENERAL QUESTIONS: (1) THE NEED FOR DEVELOPING A MORE COHERENT VIEW OF THE ROLE OF DEVELOPMENT CO-OPERATION IN THE LONGER TERM PERSPECTIVE, AND (2) THE PROBLEM OF ACHIEVING MORE EFFECTIVE MANAGEMENT OF WORLD WIDE ECONOMIC INTERDEPENDENCE.

3. REGARDING THE LONGER TERM ROLE OF DEVELOPMENT CO-OPERATION THE NOTE INVITES A CLARIFICATION OF BASIC AIMS OF MEMBER GOVERNMENTS BY REFERRING TO ISSUES SUCH AS THE IMPORTANCE TO BE GIVEN TO MEETING LDCS BASIC NEEDS, THE CONSEQUENCES FOR DEVELOPMENT CO-OPERATION POLICIES OF INCREASING ECONOMIC DIFFERENCES AMONG LDCS, THE KINDS OF QUID-PRO-QUOS THAT COULD BE EXPECTED FROM LDCS IN AREAS SUCH AS TRADE AND INVESTMENT, AND THE APPROPRIATE RESPONSES TOWARD A NEW TENDENCY AMONG SOME LDCS TO EMPHASIZE SELF-RELIANCE AND COOPERATION AMONG THEMSELVES AND A MORE INWARD LOOKING ORIENTATION OF THEIR DEVELOPMENT STRATEGIES.

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4. THIS SECTION OF NOTE CONCLUDES WITH A SERIES OF QUESTIONS FOR MEMBER GOVERNMENTS WHICH WE QUOTE AS FOLLOWS:

- WHAT SHOULD BE, IN A LONGER-TERM PERSPECTIVE, THE PROPER ROLE OF OFFICIAL RESOURCE TRANSFERS, THEIR LEVEL, PURPOSE, NATURE AND DIRECTION AND THEIR RELATION WITH OTHER FORMS OF DEVELOPMENT CO-OPERATION? ADEQUATE AND EFFECTIVE DEVELOPMENT AID WILL CLEARLY REMAIN PARAMOUNT FOR MANY YEARS TO COME. DO WE SEE OFFICIAL AID TRANSFERS AS A PERMANENT FEATURE OF WORLD ECONOMIC RELATIONS? UNDER WHAT CONDITIONS COULD IT BE PHASED OUT OR BE REPLACED BY FORMS OF NON-CONCESSIONAL CO-OPERATION - FINANCIAL AND IN OTHER AREAS?

- WHAT SHOULD BE THE RESPONSE OF THE INTERNATIONAL COMMUNITY TO THE WIDENING DISCREPANCY IN COM-

PARATIVE AID PERFORMANCE OF DONOR COUNTRIES AND
IN ATTITUDES TO THE APPROPRIATENESS AND DESIRABLE
CHARACTER OF INTERNATIONAL AID TARGETS?

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- IS IT CONCEIVABLE TO DESIGN MEASURES WHICH
WOULD PERMIT A FAIRER ASSESSMENT OF COMPARATIVE
EFFORTS?
- WHAT CAN BE DONE TO ASSOCIATE NON-DAC DONORS
MORE CLOSELY WITH THE INTERNATIONAL AID EFFORT?
- WOULD IT BE WORTHWHILE TO ATTEMPT SUPPLEMENTING
THE GLOBAL AID TARGET BY MORE SPECIFIC DONOR
UNDERTAKINGS TO ASSIST DEVELOPING COUNTRIES IN
MEETING SPECIFIC NEEDS AS PART OF MORE CO-
OPERATIVE APPROACHES INVOLVING MUTUAL CONTRIBU-
TIONS TO JOINTLY AGREED PROGRAMS?
- SHOULD WE STRENGTHEN OUR EFFORTS TO DETERMINE
WHATHER AND TO WHAT EXTENT IT IS POSSIBLE AND

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NECESSARY TO INTRODUCE A SPECIFIC DEVELOPMENT CO-OPERATION COMPONENT INTO OUR ECONOMIC AND FINANCIAL RELATIONS WITH DEVELOPING COUNTRIES WITHOUT INTRODUCING ECONOMIC DISTORTIONS AND INEQUITIES?

- IN PARTICULAR, SHOULD WE EXAMINE THE POTENTIAL FOR INCREASED TRADE WITH DEVELOPING COUNTRIES ON BOTH THE SUPPLY AND DEMAND SIDE, THE FACTORS DETERMINING THIS POTENTIAL, IMPLICATIONS FOR PATTERNS OF INDUSTRIAL LOCATION AND EMPLOYMENT, POLICIES AND ARRANGEMENTS FOR ABSORBING EXPANDING TRADE WITHOUT DISRUPTIONS AND THE IMPLICATIONS FOR OTHER ASPECTS OF RELATIONS WITH DEVELOPING COUNTRIES, SUCH AS FINANCE, INVESTMENT AND TECHNOLOGY?

- HOW CAN WE ACCOMMODATE DEVELOPING COUNTRIES DEMAND FOR CLOSER INDUSTRIAL, TECHNOLOGICAL AND SCIENTIFIC CO-OPERATION?

- IN ADDITION TO THE NEGOTIATIONS ON INTERNATIONAL CODES, WHAT MORE PRACTICAL APPROACHES ARE POSSIBLE TO ENHANCE THE DEVELOPMENTAL CONTRIBUTION OF PRIVATE INVESTMENT AND TECHNOLOGY AND TO CREATE FAIR AND WORKABLE MODUS VIVENDI AT THE OPERATIONAL LEVEL?

- HOW CAN WE ENSURE THAT DEVELOPMENT ASSISTANCE AND OTHER DEVELOPMENT CO-OPERATION POLICIES CONTRIBUTE AS MUCH AS POSSIBLE TO MEETING THE NEEDS OF THE POOREST PEOPLE IN THE DEVELOPING COUNTRIES?

- HOW CAN WE ADAPT FORMS AND INSTRUMENTS OF CO-OPERATION TO THE VARYING NEEDS OF DIFFERENT

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TYPES OF DEVELOPING COUNTRIES? SHOULD THE POORER COUNTRIES BE GIVEN PRIORITY ATTENTION, ESPECIALLY AS REGARDS TO ALLOCATION OF HIGHLY-CONCESSIONAL ASSISTANCE? WHAT POLICY INSTRUMENTS ARE APPROPRIATE FOR CONTINUED DEVELOPMENT CO-OPERATION WITH MIDDLE-INCOME COUNTRIES?

5. IN SECTION OF NOTE ON MANAGEMENT OF WORLD ECONOMIC INTERDEPENDENCE SECRETARIAT CONCENTRATES ON THREE MAIN ISSUES OF ENERGY, TRADE AND COMMODITIES. ON ENERGY, NOTE INVITES MINISTERS TO EXTEND THEIR COMMITMENT TO ACTIVE ENERGY CONSERVATION POLICIES AND TO ENGAGE IN BOLD COOPERATIVE ACTION AMONG THEMSELVES AND WITH THE DEVELOPING COUNTRIES FOR IMPROVED MANAGEMENT OF THE WORLD ENERGY MARKET. ON TRADE, SECRETARIAT NOTES INCREASING DIFFICULTY MEMBER COUNTRIES HAVE BEEN EXPERIENCING IN LIVING UP TO LIBERAL TRADING PRINCIPLES BECAUSE OF RELATIVELY SLOW GROWTH OF WORLD TRADE AND RELATIVELY RAPID CHANGES IN WORLD ECONOMIC STRUCTURE. SECRETARIAT RECALLS ADVANTAGES IN CONTINUED TRADE LIBERALIZATION, IN RAISING ECONOMIC EFFICIENCY AND IN COMBATTING INFLATION. NOTE PLACES SECTORAL PROBLEMS IN OVERALL MACRO-ECONOMIC CONTEXT AND REFERS TO THE RELEVANCE OF CAPITAL MOVEMENTS AND EXCHANGE RATE POLICY TO TRADE POLICY. SECRETARIAT SUGGESTS EXCHANGE OF EXPERIENCE REGARDING MOST EFFECTIVE FORMS OF ADJUSTMENT POLICIES AND ALSO SUGGESTS MINISTERS MIGHT WANT TO DISCUSS MERITS OF DIFFERENT APPROACHES TO THE PROBLEM OF HOLDING PROTECTIONISM IN CHECK.

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6. REGARDING COMMODITIES, NOTE REFERS TO THE ADVANTAGES OF DEVELOPING GREATER PRICE STABILITY AND ALSO REFERS TO NEED TO ENCOURAGE INVESTMENT IN BASIC INDUSTRIES AND TO HELP BUILD UP SECURITY STOCKS OF ESSENTIAL FOODSTUFFS. IN A BRIEF DISCUSSION OF EAST/WEST ECONOMIC RELATIONS, THE OBSERVATION IS MADE THAT EXISTING TRENDS SUGGEST THAT EASTERN EUROPE WILL IN THE COMING YEARS SEEK BOTH TO EXPAND ITS MANUFACTURED EXPORTS AND TO CONTINUE BORROWING HEAVILY IN WESTERN FINANCIAL MARKETS COMPETING IN BOTH RESPECTS WITH SIMILAR NEEDS OF MIDDLE INCOME LDCS.

7. SECRETARIAT NOTE HAS SECTION ON POLITICAL AND INSTITUTIONAL IMPLICATIONS OF CHANGING WORLD ECONOMIC CONDITIONS, WHICH SIMPLY SUGGESTS THAT MINISTERS MIGHT PROVIDE GUIDANCE FOR OECD THINKING ON CLOSER LIMITED OFFICIAL USE

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COMMUNICATION OR CONSULTATIONS ON QUESTIONS OF COMMON INTEREST WITH THE NEWLY EMERGING FINANCIAL AND INDUSTRIAL POWERS.

8. MISSION'S INITIAL REACTION TO PAPER IS THAT WHILE SECTION ON DEVELOPMENT COOPERATION CONTAINS SERIES OF USEFUL QUESTIONS FOR DISCUSSION (PARA 4 ABOVE), REMAINING PARTS OF NOTE COULD BE SHARPENED AND MORE FOCUSED ON THE POLICY AND INSTITUTIONAL QUESTIONS THAT WOULD HAVE TO BE ADDRESSED IN DEVELOPING A LONGER TERM NORTH/SOUTH STRATEGY.
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